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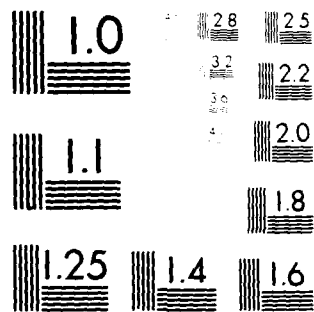
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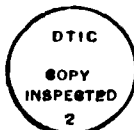
US ARMY WAR COLLEGE
INDIVIDUAL RESEARCH BASED ESSAY

AMERICA'S NEED FOR A NATIONAL POLICY

BY

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ARMOR

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AMERICA'S NEED FOR A NATIONAL POLICY

INTRODUCTION

The great historical productions which recount the details of the hundreds of wars, long and short, insignificant and dramatic, deal primarily with the political impact of the outcome and the military significance of the decisions of the war. Seldom said is the economic significance of war, for certainly wars are created more from the events of economy than from the events of strategy. Today we are gaining experience in fighting a different war from others fought in centuries past. Today we are engaged in a standoff of military forces and engage our enemies in an economic war. Our strength comes from our ability to wage a fighting war, if necessary, as well as an economic war.

For centuries we have postulated that wars would cease to be an extension of our political desires for two reasons. As man has progressed in his technological ability he has also expanded his physical war making capability. From this scientific advancement it was deduced that wars would become so violent that their natural extension, peace, would be a far better alternative and war would, once and forever, be proved to be man's greatest abnormality. Obviously we have ignored that idea, for wars have continued unabated. The second of these reasons is closely related to the first. The technological advances developed by man would not come cheaply and eventually, perhaps before we came to

abhor the brutality of war, we would realize nations could no longer afford the means to make war. War, by this idea, would price itself out of the market.

It is safe to say the neither of these ideas have enjoyed a great following of support, but there has been some influence exerted on economic theory. The influence is subtle but it has been powerful enough to cause the more substantial body of economic theory to focus on peacetime economics and generally void itself of economic theories related specifically to war. This seems rather strange since someone has been fighting someone else almost continuously since the eighteenth century.

Man has totally rejected the idea that war is an abnormal creation of a degenerative species. The frequency of war is one very obvious counter to that argument. Man by his nature does not do things that are abnormal to his nature. But that is the least important argument in our analysis. To say that war has become more costly is true but we must admit that such a statement is a grand simplification of the matter. In the late nineteenth century it was the need for increased war fighting technology which produced the manufacturing process for steel plate, machine tools and expanded the shipbuilding technology a hundred-fold. It was not a matter of being able to afford war but a realization that the productive capacities which economic development had placed in the hands of developed economies raised prospects of warfare on an absolute scale of cost never before conceived. War not only continued to meet the social, political and economic circumstances of states but, as an instrument of policy remained a policy and investment decision by the state. The construction of a strategic plan requires a correct assessment of the potentiality of a states economy for waging war. In addi-

tion a strategic plan, either for overt action or simply for defense, is a synthesis of all the factors which a nation must take into account, political, military, social and psychological, in creating a policy. The risk of any nation comes from two directions. First, to ignore the need for a strategic concept of how a specific nation fits into the montage of world affairs is unacceptable. Equally risky is to recognize the risk and then allow the plan to become fragmented without direction and purpose. Such a plan must be dynamic and receptive to change to account for world events. It must realize the need to be developed within the economic framework of the nation. But most of all it must have a purpose which rises above the normal political goals, for this plan is the stuff of which survival of nations is made. How does the United States appear when viewed through this microscope?

We Americans have always entered our wars somewhat unprepared for what we found, but emerged victorious with the strongest military force, economy, and war production capability among all participants. Most people believe this myth and in some cases it is true. The problem with this statement, however, deals with its elusive reference point; unprepared as compared to what? Certainly we were unprepared in the War of 1812 when you compare our meager Navy to the most powerful Navy of the world at the time. But if we had been the second most powerful naval force in the world we still would have been "unprepared" to engage the British fleet. We didn't win either. We were clearly worse off, strategically, when the War ended than when it began. But unlike the peril of losing in most wars it didn't set us back or alter our development as a nation.¹

We were not totally unprepared for our own Civil War although the

conduct of the war in its early stages has been inaccurately depicted as a problem of unpreparedness rather than poor campaign fighting skill. When we fought against Mexico before our Civil War we were certainly more prepared than often credited and the outcome was certainly not in question. We didn't do all that bad in World War I and a solid case can be made to support our preparedness to fight in Korea. We seem to always be concerned with our ability to fight on a precise spot at a precise time with sufficient forces, and when we don't measure up to that standard we cry about unpreparedness. World War II may be the exceptional case but again we must consider that what we were unprepared to do was fight all over the world.

Preparedness of a nation goes so much further than the battle fighting capability of an Army or Navy or its Air Force. It cuts across the entire capabilities of a nation, from production of a war machine to the will of its people. In World War II for example, we were already building the fleet of ships which would eventually defeat the Japanese Navy. We may not have been ready to fight at Pearl Harbor but that hardly caused the homeland any physical harm. The criticism regarding unpreparedness centers not around our war fighting capabilities but as we will see later it centers around our ability to organize a nation in such a fashion that it is done the most efficiently. That, in retrospect may be the foundation of preparedness.

Today we are once again looking at preparedness. But the requirements today are vastly different than they were forty years ago. Bernard Brodie recognized those differences in his book Strategy in the Missile Age. He looked at the requirements of preparedness and focused on four major propositions.

. . . (a) because of the scale and speed of destruction

possible with nuclear weapons, a general war of the future will be fought and decided exclusively with forces in being; (b) the problem of defense against strategic bombardment presents seemingly insuperable difficulties, and the resources that could legitimately be absorbed in it are limitless; (c) the probability of general war for any given time period is essentially unmeasurable, but is surely more than trivial; and (d) limited wars, which appear even more probable, appear to require independent capabilities.²

Although written more than twenty years ago, Brodie's comments are appropriate today. There is more, however, and Brodie would probably concur. Preparedness must go further than the conduct of war and its monetary costs. Preparedness must consider production capability and capacity of industry. It must consider technology available to the nation to overcome an inferiority in quantity, or create an overwhelming qualitative advantage. Preparedness must account for the availability of raw materials, and the economic strength of the nation.

If a nation fails to create, maintain or allows one of these qualities to escape then it can be postulated that preparedness for defense suffers or is at least degraded. If there is a failure on the part of the leadership of that nation to consider the implication of that event, disaster may not ensue but the risk to that nations defense ability increases.

In this paper we will address some of these issues and investigate the impact of their current status on the security of the United States. We will also look to the implications this analysis may have on our national strategy and where appropriate to make suggestions as to revising the format and content of that strategy.

PERSPECTIVE OF THE PAST

In modern war the great expense of firearms gives an evident advantage to the nation which can best afford that expense; . . . In ancient times the opulent and civilized found it difficult to defend themselves against the poor and barbarous nations.

In modern times the poor and barbarous nations find it difficult to defend themselves against the opulent and civilized.³

Adam Smith lived in a time when the transition he speaks of was just about complete. The eighteenth century was the time when nations ceased to destroy the economy of their foes but instead began to extract long standing tribute from the economic capability of the defeated nation. Most significant however is the role of economics in the conduct of war. Wars fought in the past by barbaric tribes for lust and plunder were now fought for more sophisticated spoils. Lust and plunder may have been the foundation but the structure was much refined. In the twentieth century when we have spoken of the national interest of a particular country we have invariably been referring to economic interests.

Before 1914 no nation, with the possible exception of Germany, appears to have realized the importance of organizing the entire national economy in wartime. Even Germany is questionable when analyzed closely. The United States was an interested spectator in the early years of the war and even after it entered the fighting never seemed to understand how necessary it had been for all the nations to assume such close control over national activities. We had forgotten the lessons of the Civil War; a period when the government found it necessary to exercise control over transportation and communication. The Confederate government found broader controls necessary but neither thought to exercise total control during the time of war. This had little to do with the fighting of specific battles but it had great impact on the conduct of the war.

With our entry into World War I we were faced with huge burdens for both government and business. Suddenly we needed a bigger Army. The

issue became how to recruit, train, and transport this new force to the war. But that was only part of the requirement. Huge armies require masses of supplies, and munitions which must be manufactured, and sent to the war zone when they are needed. America had to raise huge sums of money in amounts never before tried. America's industrial capability had to be focused on essential production and the worker in many cases had to be convinced that he was supporting a just war.⁴

Who was to manage this mammoth task of setting priorities and allocating resources? The problem was not made easier by the volumes of demands. As would happen in World War II we became the prime supplier for munitions. But our facilities were not sufficient to supply the demands both of our allies and our own forces. We also discovered a need for centralized purchasing by the services. The Army would place an order in competition with the Navy and if that wasn't bad enough the Army had seven supply services of the various branches all competing with each other within the Army. This competition caused a pricing problem which according to Benard Baruch, Chairman of the War Industries Board, was not easily solved.

. . . Nearly 12 months elapsed after our declaration before we had evolved controls and organization capable of coordinating our own and our associates' procurement activities and of controlling prices.⁵

When we consider the problems of a shortage of ocean shipping plus massive congestion at our Atlantic ports it could just as easily be describing today. Add the immense burden cast on a young and growing railway system and you can see why as late as the 1930s men of vision were still addressing the problems and potential solutions should the need rise again.

That need did rise again and this time the task was a hundred times

greater. The mobilization of this nation for World War II was a task which once again almost had to start from the beginning. It is true that the War and Navy Department had done considerable planning on their own but they were alone. In fact there is no evidence to indicate that Congress had ever given the slightest consideration to those plans. The problem with those plans, in the minds of some congressmen, were the broad range of issues which were addressed. World War I had taught us that preparations for national defense comprised more than building battleships and airplanes, and more than devising plans for military operations. But there was dissatisfaction in the Congress that the military had a mind toward these issues and fears of a wartime military dictatorship taunted the military planning. I read once that the conduct of War by a nation is an effort divided 25 percent for the operations of the fighting forces and 75 percent for the civilian effort. The 75 percent part must begin long before the first day of the war. That civilian effort in World War II produced tanks with American steel, and airplanes made of metals mined from American soil. The fuel to power the fleet at Midway was pumped from American oil fields, and refined in American facilities. Today it isn't that easy.

In the early days of both World War I and II the United States was able to mobilize troops faster than it was able to arm them. In fact the problem went even farther back than that. In the War with Spain in 1898 a force of 274,000 men had been mobilized by August of that year from a peacetime level of 25,000. There had been no planning for War reserves, so there was no materiel with which to equip this expanded force. Because industrial mobilization inherently lags behind manpower mobilization, fewer than one-fifth of these men saw action. Transporta-

tion, clothing, guns and food were all in short supply. Money from Congress was readily available, but it could not be spent because industry could not react rapidly enough.⁶ The consequences today are far more significant. A future war may be far shorter than previous ones the development and production times for the sophisticated equipment of today's forces are far longer; and the potential adversary, the Soviet Union, seems to understand the need for large numbers and the quality brought about by high technology. The Soviet's advantage is that they are preparing the quality weapons at a regular pace in order to provide mass on the battlefield with high technology.

There are many people who still think we could quickly resume the rate of industrial military production that was present at the end of the World War II. However, they ignore the complexity of today's military equipment which makes production more difficult. There are requirements for increased skills by workers, longer lead times for the exotic raw materials and more complex designs all making the matter of rapid production that much more difficult. Even if the technology had not progressed the matter would be difficult. In 1976 the Department of Defense investigated a perceived problem with metalcutting tools which is a critical portion of the machine-tool reserve. The study revealed that the average age of such tools owned by the government is over twenty years and that those owned by industry and programmed for the function of defense reserve average over fifteen years. Add the six years since the study was completed and the age is more a problem.⁷

TODAY'S DILEMMA

When we look at the threats to our security or prosperity we must accept that our current condition is not due to a single participant,

such as the Organization of Petroleum Exporting Countries (OPEC). Principally our current situation regarding oil came about from our anxieties about further interruption in supply and a changing structure in the world marketing of oil. These events led to stockpiling. We face two conceptually different but related problems. The first is unanticipated interruptions in supply and the second is a prospect of future demands for oil increasingly outrunning the available supply. This problem could easily be exacerbated by the false sense of security brought on by a glut of oil available on the market at present. That problem will require a solution in the longrun due to the imbalance between prospective demand and the supply. The task before us is clear; to take all those sensible actions which help reduce our future demand for imported oil.

The discussion of oil raises the question of whether we are equally vulnerable with respect to other commodities that we import from the rest of the world. We rely heavily on imports for our consumption of tin, chromium, cobalt, and a host of other materials. But none of these has the crucial importance for the economy that oil does. The potential for serious disruption of supply depends on several factors: limited supply relative to demand, limited sources of production, few substitutes and essential importance to the industrialized world. What proponents of these four conditions fail to address adequately is the disruption of supply. To pass this argument off with the claim that many third World nations, where most of the supply is, are typically dependent on exports of a few primary products, and could not long afford to deny themselves the crucial foreign exchange is foolish. Their assumption lies in the utopian splendor that no single or group of nations

will conspire to deny us that access as was the case with the two Arab oil embargoes.

We are behind the curve more than we think. Bauxite is both essential and localized in its production. Copper is in both tight supply and essential. Tin is both limited in supply and mined in only a few countries. Chromium is likely to be a bigger problem since over time we are likely to become increasingly dependent on South Africa, Zimbabwe, and the U.S.S.R.

Looking ahead, we will have to increase the level of our investment in minerals worldwide in order to insure adequate supply in the year 2000 and beyond. This may become a major problem, as it currently appears we are underinvesting significantly, and we may, therefore, have to adjust to the higher prices that may be required for the needed investment to be undertaken.

Europe and Japan are far more dependent than we for their raw materials; Europeans import 75 percent of their critical commodities and the Japanese almost 90 percent. This does not mean that our allies will suffer from supply disruption more frequently than we but it does mean that they are in a more precarious position to maintain the security forces and weapon systems which require huge quantities of these critical metals in union with the U.S. for our mutual national security. This fear is real enough that it influences the foreign and economic policies of our allies, and not always in ways satisfactory to our short terms interests.

Nations which have claimed free enterprise as the foundation of their economic function have generally faced the dilemma, sooner or later, of controlling that free enterprise either at the request of the entrepreneur or for reasons of national security. If free enterprise

works for domestic markets and controls the production and flow of goods and services it is logical that the same function applies to foreign markets. In both cases there are long range implications not seen in the beginning and often ignored in the later periods because of vested reasons and interests. The cry for free enterprise in the United States has expanded to international markets and has given rise to the United States' position as the business leader of the world (a position now challenged by many other nations). Our commercial motives have produced a constant outflow of U.S. technology in recent decades, the implications of which extend far beyond the limited horizons of limited commercial ventures. We are now facing a question on whether the United States should continue its liberal technology trade practices or create more new technology export policies to protect both U.S. economic and national security interests. One camp says continue to export and reap the benefits of favorable trade balances while applying science and technology to manufacturing output to create better products. The other group cautions that U.S. technology exports often help formulate production facilities in foreign nations which displace U.S. exports of manufactured goods, thus eliminating jobs, increasing trade competition and negative trade balances. This group quickly points to the shoe industry and sports clothing industry as examples of the long term implications of technology transfer. A further argument claims the uncontrolled export of our technology jeopardizes our nation's security by revealing our capability in high technological weapon systems. There is now a deep concern among government officials that we may have given up too much.

There is an important distinction to be addressed when talking of

technology transfer. Discussions on the subject generally bring agreement on the separation of technology-intensive products and technology per se which is exported as a result of foreign investment and licensing. There is an important distinction when we attempt to analyze the implications of technology exports in both a civil-commercial and military context.

The long range impact centers on the economic welfare of the nation and the attendant levels of domestic employment. The question asks if technology transfer hinders or helps in this issue? What we don't know is the relationship between the various modes of technology transfer and the factors of economic progress. When we export technological products there is a salutary effect on the nations balance of payments. Transferring that technology via foreign direct investment and licensing to produce the item has an opposite effect. Also we see the awakening of competitive forces as a result of direct investment and licensing. Thus from economic security we would normally conclude the export of technologically produced goods is the most preferred mode for international trade from a U.S. standpoint. Recently however, changing factors of production such as relative wage scales, location of markets, and international monetary considerations have caused shifts in this area to foreign investment and licensing. The geopolitical forces of Western Europe are working toward an increase in U.S. - European shared ventures in the form of co-production of major weapon systems. Those ventures are moving forward at a rapid pace with the U.S. Department of Defense pushing for a revision of technology transfer policies and seeking to "improve" export control practices.⁸ While the total impact of this trend is hard to predict there is some evidence that foreign direct investments tend to create greater demand for higher skill jobs but may

not necessarily, generate a significant number of union level jobs because union membership is generally concentrated in nontechnical import competitive jobs and markets. It would appear the economic benefits do not support the risk of technology loss.

If technology can bring a nation power then the counter argument says the loss of technology is equal to a loss of power. It is not so much the loss of technology which is the agent of change, but a nation's loss of position among those developed nations possessing technology. With relation to military power it is the acquisition of new weapons systems such as strategic nuclear weapons by a third state which would threaten the power of the U.S. and the Soviet Union in the area of nuclear technology. We are not playing "zero-sum" games for once you have technology you seldom lose it. The power shifts are the result of acquisition of technology.⁹ If for example, strategic nuclear weapons are acquired by West Germany and Japan the change in power would not be radical. Both nations now have the benefits of those weapons through the strategic umbrella provided by the United States. But if Syria suddenly acquires such weapons there would be a new dimension of power in the world since Syria views itself as the military patron of the Arab states.

Certainly no single nation can cause the cessation of technology distribution but the argument continues that such distribution must have controls if the power equation is to remain somewhat stable. Also it is a matter of continuing development of technology which must be fostered to keep the equation balanced. It is inevitable that, once an advanced society reaches a certain level of development, its value system undergoes a fundamental shift away from productive pursuits. This being so,

the most advanced democratic societies are in serious jeopardy if they do nothing to counter the decline long before the growth momentum of the less advanced autocratic states slows down. If not, then we can see a major shift in the world distribution of power. This loss of momentum may be the single most devastating problem for an advanced society. Once the momentum lags and the emphasis turns from production of goods to production of services then the shift of power becomes a reality.

Another aspect of preparedness which often conflicts with a national strategy is the issue over foreign military sales. Since World War II the sale of military hardware to allies has been an integral part of our foreign policy and as such has been integrated into our defense policy. But since the mid 1970s the issue has been addressed from a different angle. The subject of worldwide arms control has run counter to weapons sales. Critics of our arms sales say we cannot support arms reductions while at the same time produce weapons for consumption by allies for what amounts to offensive action against historical and traditional enemies. Yet there are even more pragmatic reasons presented by defense minded analysts. There is the impact on our own defense of the transfer to foreign nations of our own technology (a subject to be discussed in more detail later), plus the implications and expense of providing the logistical support after the system is delivered. Others have pointed out that we are creating an environment where the attention of our own defense industry is being diverted to the area of foreign military sales to the detriment of our own defense needs.¹⁰ There are also traditional considerations of concern which run the gamut from fear the equipment will be used against us and our allies, to the fear that security leaks will occur which obviously weaken our national security. When we were selling off our World War II "Surplus" the

matter was not very significant but today when we have no surplus but are dealing in the most advanced equipment these issues become more critical.

Industry approaches these concerns from a totally different point of view. A good case can be made in defense of the manufacturer's argument that the foreign sales market maintains a viable defense industry for use at home when the need arises. According to the industry it is the foreign sales which help pay for the research and development costs thus saving the American defense program these additional costs. While there is obvious merit to that argument there is also the question as to its effectiveness with regard to our allies and their dependence on U.S. military equipment. The old argument said, they would remain in our military camp because they would be dependent on us for continued logistic support for the systems we had sold them. While this "blackmailing" has worked to a degree in the past there is no assurance that it will work in the future. An excellent example where it failed the Soviets occurred in the mid 1970s when the Soviets and Egyptians were beginning to disagree on the matter of military assistance. The Soviets refused to overhaul the engines of the Mig-21 jet fighters they had provided Egypt without further concessions on the part of Egypt. President Sadat simply went to the Chinese who willingly provided the service.¹¹ Israel is noted for its ability to alter captured equipment and customize it for use in its own defense arsenal, and many other countries are moving in the same direction. The desire on the part of the purchaser for a complete package, including the weapon system, training package, and logistical support system, changes drastically any supplying nation's strategy to control the weapons it sells.

Another matter we must consider is our ability to deliver what we sell. American defense contractors are reportedly behind in their shipments to foreign purchasers and when the sale and delivery day become critical the military force which is required to wait is often our own. This ties directly to our production surge capability, limited as it may be. Can we redirect equipment intended for foreign governments if we need to? Would we do it? What is our policy in this regard? Would we in turn be "blackmailed" into delivering equipment in return for allowing our military training and support technicians to return? What does foreign ownership of certain U.S. defense firms suggest for our surge capability? Nationalization may not be the answer when we consider the propensity of other nations to retaliate against American owned firms. The dilemma is knowing what our policy is and how that policy is to be used as an element of our overall national strategy. The real crisis seems to lie in realization that there appears to be no policy.

IMPACT OF INTERNATIONAL FACTORS

The recent announcement that the United States' national debt would exceed 1 trillion dollars left most citizens somewhat dismayed. The annual bill for that debt, that is the interest payment, will be in excess of 100 billion dollars. Back in 1958 economist James Tobin wrote the following in the Yale Review.

Imagine a rich country, with an annual national income over 400 billion dollars a year, in debt to foreign countries to the tune of 275 billion dollars, paying eight billion dollars a year interest to its external creditors. A debt of this size would be no calamity. The interest burden would be well within the nations capacity to pay, and there would be no reason for the country to cripple itself in time of need by an arbitrary self-imposed debt limit.¹²

Tobin had no idea how close he would come to being a prophet of considerable accuracy. In fact today that external debt exceeds \$150 billion in direct purchases of U.S. Treasury paper and is much higher if we could analyze all the private debt that is held by foreign interests. For example, during the past eight years Saudi Arabia, in spite of all its spending on nation building, has still managed to accumulate a surplus equal to at least \$100 billion. The Saudi Arabian Monetary Agency (SAMA) which is the central bank for the Kingdom, manages that excess of petro earnings by conservative and safe investments. Unlike their neighbor Kuwait the Saudis favorite investments are super safe U.S. Treasury bills and notes, of which the bank now holds about \$30 billion. Much of the rest of that surplus is invested in short-term deposits at approximately 80 different Western banks. Additionally major Western corporations have borrowed directly from SAMA. Among those are AT&T (\$650 million), IBM (\$300 million) and U.S. Steel (\$200 million).¹³

These actions are not your normal free wheeling capitalist enterprise. On the contrary the control of Saudi financial arrangements is tight and autocratic. Only three members of the government, other than the king, can make any outside investments. They include the Governor of the Monetary Agency (SAMA), the Minister of Finance, and Crown Prince Fahd, who oversees most government matters for King Khalid. An example of this financial operation being operated as an instrument of foreign policy can be seen with the Saudi reaction to third world criticism of Saudi Arabia and other OPEC nations to use their available revenues for foreign aid and low-interest loans to the developing world. The Saudis seem willing to oblige, but they have shown a preference to channel their loans through organizations like the International Monetary Fund, sharing some of the hazzards of third world loans with the affluent

West. Last year SAMA agreed to loan the International Monetary Fund nearly \$10 billion over the next two years. In exchange the Saudis ask for and received a permanent seat on the fund's executive board. That body decides which countries get financial help from the IMF and the conditions to be attached to the loans. Some observers believe there were more than financial reasons behind the Saudis move. They have in the past asked the IMF to grant observer status to the Palestine Liberation Organization, and critics of the Saudis now predict the Arabs will use their leverage on the executive board to force the issue in favor of the PLO.¹⁴ These actions are obviously not threatening the U.S. when taken as a single event but they are significant when you look at the condition of the U.S. economy and the amount of foreign interest in the American market. Going back to Tobin, he continued by saying. "But at least there would be some real burden, and it would be prudent for those who man the nation's economic affairs to give thought to its external debt."¹⁵

The multinational corporation is a new factor to be reckoned with when discussing the strategy of a nation toward strategic defense. The multinational corporation is a modern creation only so far as its complexity. The trading companies of Western European nations in the early days of European Colonialism serve as perfect examples of mixing merchantilism with political power. Nations delegated political power to their foreign merchant companies when they permitted those companies to engage in colonialization. The flag of a nation-state was carried forward by private enterprise and became the forebearer of an economic influence in national security not previously anticipated.

The rise of the modern corporation has been equaled by an equally

extraordinary rise in involvement with the workings of the modern nation state. We tend to focus on only one side of that involvement however. Just as the nations did with merchant companies in the 16th Century today they control the actions of their corporations both directly and indirectly. The modern state has created for itself managerial prerogatives unknown in past history; the right to manage the economy through control of the interest rates, money supply, foreign trade, taxes, quotas, and tariffs; the right to allocate resources within a society; the right to control prices and wages; and particularly the right to choose which private corporations are to be subsidized or as we have seen in the past decade, rescued from economic demise. The private corporation has become, especially in the U.S. an instrument to project U.S. power. The more powerful our U.S. based global corporations become the more capable is the U.S. in projecting its political power. The thing which keeps U.S. global corporations from becoming simple extensions or instruments of the U.S. government, and vice versa, is subtle. One reason for the complexity of that relationship is that neither entity, the corporation or the government, is monolithic. Within the national government there are differences in outlook and approach among major departments such as Defense, Treasury, Commerce and State. Everyone has a slightly different view of what the real national interest is toward a specific issue. This is not always the case with other nations.

The period of strongest allegiance to the nation state by the merchant corporation was in the beginning of this phenomenon. There has been a gradual deterioration of that support until today we are concerned about the loyalties of some of our global corporations. Thomas Jefferson would not have found this especially shocking. He was always suspicious of merchants and always in favor of land holders. But in

modern times we have come to accept the idea that capital knows no boundary and is an international vehicle binding the world.

The real problem comes from the relaxed view of national identity and in some cases loyalty by international corporations. American oil and chemical companies that had cartel arrangements with German firms at the outbreak of the second world war were actively opposed to fighting Hitler. Adolph Berle, a former Assistant Secretary of State during those war years, has described the difficulties the State Department had on the eve of World War II in getting U.S. corporations to stop cooperating with the Germans in Latin America. Almost all were reluctant and some resisted pressures until the last minute.¹⁶ From the cold war era to the present we can each remember revelations about ingenious companies who have circumvented State Department and Defense Department rulings regarding trade of strategic goods and materials with the Soviet Union or other nations considered as threats to U.S. interests. In 1973 the Phillippine subsidiary of EXXON refused to sell oil to the U.S. Navy at Subic Bay because its overriding interest was to help enforce the worldwide Arab oil embargo of the United States.¹⁷

There is a counter argument to the "problem" with multinationals. A national War College study presents an argument that multinational corporate operation is an asset which the U.S. should exploit.

Communist and Marxist Socialist economic systems dedicated to the principle of centralized government interprise and control, will be obliged to undergo substantive systematic evolution in order to compete with the multinational corporation. Meanwhile, the United States must take cognizance of the strength and opportunity created by multinational enterprise. It must adjust strategies and provide governmental leadership not only to maximize direct economic benefits but to take advantage of long range indirect effects as well.¹⁸

The author of the study, Lieutenant Colonel Richard Bowen, USAF, would

probably be somewhat dissatisfied with the progress that multinational enterprise has made in providing the augmented power he expected to flow to the free world nations. Since his study the world has seen East-West conflicts over the Sinai and Suez; two Arab oil boycotts and the dissolution of the largest multinational energy corporation (ARAMCO); increased east-west tension over Southeast Asia expansionism by the Socialist Republic of Vietnam; the invasion of Afghanistan; and marshall law in Poland. The success of the MNC in stabilizing world relations in the future is probably no better than it was when the Bowen study was written. The MNC has not been able to establish an "indirect" national security strategy as was theorized any more than Liddell Hart's "indirect approach" will always work in battle. The MNC concept does not seem capable of providing the lever to sustain the American system of values. In fact it may be working in the other direction especially in the yielding of weapons technology to other nations and the continuous diminishing of industrial self-sufficiency.

It doesn't require an economic analysis to make us aware of a changing thrust in the effectiveness of the economics of industrialized nations. The change is most obvious in the United States, especially when we examine what we once produced compared to our production capacity today. Once we were the dominating world producer of steel, textiles, automobiles, rubber, ships, machine tools, and petrochemicals. today we are among a host of industrialized nations who are moving their production to the third world to be nearer the raw materials and the less expensive labor force. Add to these reasons an increasingly efficient worldwide transportation system plus space age communications and it is difficult to argue against the efficiency of such migrations of

industry.

But what does this mean to a formerly self-sufficient industrial giant. The answer most often heard is to redirect our production effort toward high technology (such as semiconductors, fiber optics, lasers, biotechnology and robotics) with which we can still maintain our position as a world economic and production power.¹⁹ But if history gives us any solution to this problem then "redirection" is not the answer either. In 1970 economist Seymour Melman listed twenty-five electronics plants which closed production or severely limited operations. These plants produced television cameras, receivers, semi-conductors, solid state electronic components and other high technology electronic products. The relocation of production facilities was centered in Mexico and Taiwan, both centers for less expensive labor.²⁰

Americans have taken comfort during this century in the enormous productive power of this country. That production, while beginning to wane, is still enormous. It has been one of the orthodox arguments for a minimal standing military force in the past. When we lose control over the strength we must conceive alternative solutions to the problem of national security. The more dependent we become on nonaligned nation support the more dangerous our position becomes.

WHAT IS THE THREAT

Recently seven professors, ranging in fields from divinity to engineering, were asked to identify the most important issue facing the United States in the decade of the 1980s. Five of the seven chosen topics involved international affairs and only one of those focused on the prevention of nuclear war. Four of the seven dealt with different aspects of what would now be called North-South relations, focusing on

the pervasiveness and growth of world hunger, the maldistribution of world wealth and income, the tensions and turmoil created by growing pressures of population on limited resources. The reasons why these academicians thought these issues should be of concern to Americans are not spelled out. They could lie in the ultimate threat of these developments to our economic security, as resources are used by others, or even to our physical security. But I suspect the authors simply took for granted that these issues should be of concern to Americans, without having to spell out tangible ways we may feel the tensions. The threat is thus in the psychological or moral realm rather than in the physical realm. Here lies perhaps the most serious threat to our security; that which rests fundamentally on our shared values and our cohesion as a nation and as a society.²¹

We should consider broad conceptions of our national security. For example, security in our enjoyment of our highest level of economic well being. Threats to our security in this sense were brought home to the average American by gasoline shortages in the last decade. With those came the realization that we are vulnerable to interruptions in remote parts of the globe to supplies that are crucial to our welfare. This sense of vulnerability is new to Americans. It is much older for Europeans and Japanese. It is worth recalling that one of the reasons the Japanese bombed the U.S. fleet at Pearl Harbor was to remove what they conceived to be the major threat of their oil lifeline to the then Dutch East Indies.

That sense of vulnerability while new to Americans is no less real. The perception of our vulnerability to expansionism from the Soviets through their surrogates in Latin America may not be considered impor-

tant by some but is nevertheless a severe threat to American leadership on our own continent. The problem with this issue may be one of not caring by those who insist the U.S. should not interfere in the domestic turmoil of neighboring countries even if our strategic enemy is totally involved. The threat then comes as much from inside our boundaries as from abroad.

We have talked about the loss of American technology and surely this is a threat when we consider not only the defense applications but also the economic impact to American industry. As an example the Soviets have been able to gain access to billions of dollars worth of American high technology through multiple avenues — many of them by perfectly legitimate means and openly supported by our government programs. These methods include: Over the counter purchase of consumer goods containing advanced technology; Exports of "leakage" from Western European nations; establishment of "bogus" companies or fronts involved in technology exporting; duplication or reverse engineering of American-made components.²² These actions can in most cases be called legitimate but it is the covert operations to pilfer American technology which must be watched more closely. The Soviets reportedly had in recent months over 30 high-ranking agents of the KGB working in California's Silicon Valley along with a high percentage of its San Francisco Consulate staff also highly trained in electronic technology. Defense Electronics magazine reported in 1981 that the Soviets Breakthrough in development of a new submarine launched ballistic missile came from back engineering using technology reportedly stolen from the Hewlett-Packard Corporation at a Swiss Trade show in 1972. This development had far reaching implications. It threatened our Minutemen ICBM fields thus causing our military planners to begin development of the new MX system at considerable

cost and implied impact to our economy.²³ Each time there is a quantum leap by the Soviet Union in military technology at our expense there is the added burden on our own military strategy which include the increase of defense spending and its impact on an economy which places butter at least on an equal plane with guns.

What is the single threat to the United States, if there is in fact a threat. Is it the threat of nuclear war and our degree of preparedness and defense vis a vis a threatening nation? If so what should we do beyond working for disarmament of our arsenal of super destructive weapons? Is the threat conventional war in areas of the world where we have committed ourselves to insure resident peoples will live free? If so, can we realistically deliver the military power which will deter or if necessary defeat such an enemy? Or is the biggest threat our weakening projection of that intangible quality known as American strength? Is it possible we have grown weary of being the world leader and feeding the starving nations, bolstering the economies of developing nations at the expense of our own economy, and standing by like the stoic parent who knows his children may not believe him but what he does is really for their own good. Perhaps we are the threat to ourselves by not understanding that in the world of high technology, which we were primarily responsible for developing, we must move more rapidly than ever before to maintain our position of strength. The outside threats are real enough and we see them (most of the time) in a much clearer perspective than we see the internal threats of lower production, reluctance to change and general dissatisfaction with what we have made ourselves. The answer it seems is not that there is a single threat but that all these things are threats and while none of them are of signifi-

cance, large enough to challenge the United States singularly they will not be presented in sequence but in groups and clusters which will challenge our abilities a million fold if we are not prepared to deal with them. That is the threat — partly that they exist — but also that we have no cohesive national policy or purpose which will allow us to deal with them.

THE LONG ROAD BACK

None of the problems or issues outlined in this paper are insurmountable for a nation which has sent men to the moon and now makes trips to outer space on a regular basis in the same vehicle. The concern, however, is when we are going to get on with the organization of that solution. Who is responsible to coordinate the policies of the government in order that we do not have one sector working against another. Is it the responsibility of the Defense Department to organize the government and the economy in order to quickly mobilize our national forces in time of emergency? Some would say yes but there is an equally large number who would remind us that we have never allowed total military control over our destiny previously and to do so now would run against the grain of our national background. Who then — some other cabinet office within the government who would be equally beset by the petty jealousies of intergovernmental conflict? Certainly the issue may be who, but first we must understand that there is a real need for a coordinated national strategy which will encompass all the issues we have discussed. I doubt if Robert McNamara ever questioned his position as a framer of national strategy and policy when he was Secretary of Defense. But did he realize the importance of his position with regard to the strategy of the United States when he assumed control over the

World Bank. His actions in that capacity had a profound impact on the national policies of the United States even though he was not an agent of the U.S. The point to be made is this; everything a nation does, militarily, economically, commercially, and diplomatically must be orchestrated from the score of the national strategic concerto. It is like an orchestra which plays a concert with each section using a different musical score. There may be perfection within each section but the results are none too pleasing to the ear. But once the conductor takes control and everyone displays that same excellence toward the same musical score then music is produced. Nations are like orchestras and each sector must achieve its perfection in harmony with the national purpose or chaos will reign supreme.

What recommendations can we make which will not only bring each area into harmony with the others but also raise their level of efficiency? It must be recognized that the needed institutional changes involve more than simply starting new and costly government programs. These changes must reach out to the very core and foundation of the democratic form of government and the free-market economic system. How to accommodate the needed institutional changes and yet leave inviolate the principles of free enterprise and democratic government constitutes a major challenge. Can we absorb greater government intervention and assistance in the free-market economy without incurring the risk that a form of creeping socialism will set in? The answer should be yes if we can approach the problem as management should approach other problems; to manage change in a way that established goals are reinforced and the adverse effects are softened. What may be the biggest challenge is defining the goals for our nation. This confusion over goals and pur-

poses supports greater governmental leadership in guiding and creating the appropriate conditions for a thriving nation.

One analyst proposes a National Industrial Board to build a more strategic and accountable approach to national economic policy. There is merit to this approach when you consider that our priorities may be just a bit out of tune with our present times and needs. Consider; the government now gives \$455 million in tax breaks to the timber industry but none to the semiconductor industry. It spends five times as much on research and development for commercial fisheries as it does for steel. Without the institutional ability to focus these programs on the strategic needs of the nation it is the politically strongest or most active business which will control the governmental policy.²⁴ The defense industrial base is a national resource just like timber or minerals and it makes up a significant portion of the overall American deterrent and defense posture and therefore we cannot ignore or allow it to deteriorate. Management doctrine reminds us that we cannot run an organization without a long range plan. What we are faced with at present is an organization run with ad hoc decisions and as long as we continue with this process we will continue to make decisions which are not necessarily good nor appropriate for national security. We must develop new policies which consider not only the short term economic and strategic considerations but also the longer-term concerns in the areas. The policies must address the new forms of transfer mechanisms discussed earlier such as the multinational corporation, international banking, and the sale of technology and training. We must also recognize the interdependence of nations in both civilian and military spheres of influence such as the exporter of raw materials who relies on the larger nation for security. We must recognize our growing dependence on for-

eign sources of parts, raw materials, and our movement toward importing finished products as well. If it is to be our policy as a nation to promote such trends then we must consider this in shaping our foreign and defense policies. These new policies will probably differ for various countries and different regions just as they always have but we should not be ashamed of having multiple feelings toward the other nations of the world.

We must also shape our policy to consider the future of our planet. If our projected growth rate for the world population is accurate the earth will be housing 10 billion inhabitants by the year 2030. We must question whether the carrying capacity of the earth is equal to those projections.²⁵ The demands on our planet will transcend anything we have known in history and we must be ready to cope with those challenges for they are as much a part of our national strategy as nuclear defense. In the Global 2000 Report researchers concluded that while limited resources may be a contributing factor in the distribution of power among nations, the biggest problem for the United States was one of lack of coordination. The U.S. Government needs a mechanism for continuous review of the assumptions and methods the federal agencies use in their planning and the relationship those decisions have, one against the other.²⁶

One key element in our defense is the vigor of our own economy, including its capacity for technical change. This is not a new phenomenon but has been with us from the beginning as De Tocqueville discovered.

... I accost an American sailor, and I inquire why the ships of his country are built so as to last but for a short time; he answers without hesitation that the art of navigation is every day making such rapid progress that the finest vessel

would become almost useless if it lasted beyond a certain number of years. In these words, which fall accidentally and on a particular subject from a man of rude attainments, I recognize the general and systematic idea upon which a great people directs all its concerns.²⁷

The real effort comes in the energy we are willing to devote to our own defense regardless of the form. It is, however, somewhat paradoxical that the richer we become the more difficult it seems to be for us to finance traditional government expenditures, such as national defense. It is equally extraordinary that an economy that has doubled in size during the past twenty years, and will double again by the year 2000 finds itself unable or unwilling to spend a bit more on its own security or to help friendly developing countries. More important in today's world, than the quantity of goods and services purchased for national defense, is their quality, which above all depends on continual scientific and technical advances. Whether it be for weapons systems, or home communications systems we must continue to provide adequately for growth and growth will only be achieved if there is a long range plan for the national purpose. That purpose must include both a plan for national defense and security married to one for technological progress which will be the foundation for our civilian economy for future years. That is what De Tocqueville recognized in this nation; our inherent love of progress. That alone can cause a revitalization of our national policy.

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